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TO RUEHC/SECSTATE WASHDC PRIORITY 0633
INFO RUEHBR/AMEMBASSY BRASILIA PRIORITY 9147
RUEHCV/AMEMBASSY CARACAS PRIORITY 2897
RUEHLP/AMEMBASSY LA PAZ SEP 0260
RUEHPE/AMEMBASSY LIMA PRIORITY 0073
RUEHZP/AMEMBASSY PANAMA PRIORITY 4337
RUEHQD/AMEMBASSY QUITO PRIORITY 0070
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SUBJECT: COLOMBIA: ANALYSTS AND OFFICIALS REVISE UPWARDS
GDP GROWTH FOR 2009

¶11. (SBU) Summary. Finance Vice Minister Natalia Salazar told EconOffs on September 9 that the GOC expects 2009 GDP growth rate to be positive at around 0.5 percent, due primarily to an increase in public infrastructure projects. This complements Colombian analysts' reports which, as of September, predict positive GDP growth rates from 0.1 to 0.4 percent. International banks, such as JP Morgan, Goldman Sachs, Morgan Stanley and Citigroup, are more conservative with forecasts ranging from negative 0.9 percent to negative 0.1 percent. End Summary.

Pessimism Waning

¶12. (U) Initial GDP forecasts for Colombia for 2009 were pegged at 5 percent back in mid-2008, but have since been revised downward to zero percent, with more conservative estimates in the red. Colombia technically entered its recession when 2008's fourth quarter and 2009's first quarter growth rates were negative 0.8 and 0.6 percent, respectively, as a result of falling international demand for exports, a decline in investment, and weak domestic consumption. Finance Vice Minister Salazar told us she expects positive GDP growth in 2009, perhaps as high as 0.5 percent, largely because of the number of public infrastructure projects underway.

Humming a New Tune

¶13. (U) Government officials and Colombian analysts are now changing their tunes due to a variety of factors: decreasing inflation, low interest rates, better than expected global economic conditions, and most importantly a 42 percent increase in public infrastructure projects. Complementing these factors is the dramatic shift in consumer confidence. Fedesarrollo, a private think tank that monitors consumer confidence, revealed a sharp increase in the Colombian Confidence Index from negative 11.7 in April 2009 to a positive 8.5 in August. According to a September Gallup Poll, 42 percent believed the principle problem in Colombia is the economy, down from 57 percent in July. An increasing number of those polled are more positive about the economy, unemployment, and the cost of living.

¶14. (U) National Association of Financial Institutions President Sergio Clavijo notes that second quarter GDP figures will point the way for 2009. At the moment, he sees zero percent growth for 2009. International banks are more conservative, and predict overall negative economic growth for the year. Local analysts, however, predict GDP to hold

at negative 0.6 for the second semester and are optimistic that third and fourth quarter results will be in the black.
Brownfield